FINANCES OF THE NATION.

ANNUAL REPORT OF THE SECRETARY OF THE TREASURY.

AN EXHAUSTIVE REVIEW OF THE OPERATIONS OF THE GREAT DEPARTMENT-MR. WIN-DOM'S PROPOSED SOLUTION OF THE

SILVER QUESTION. Treasury Department, Washington, D. C., December 2, 1889. The Ronorable the Speaker of the House of Sir: I have the honor to submit the following

PECEUPIS AND EXPENDITURES.

RECEIPTS AND BALL	
FISCAL YEAR 1889.	
The ordinary revenues of the Govern	, 1208, Mere
From custams	
From monts on comage,	10.165,264 75 8.03a,651 75
From fees-consular, ichici-passes	1.536.0s7 1
Frem sicking form for penalties, and for-	111111111111111111111111111111111111111
From r payment of interest by Pacine rail-	
From Soldiers' Home, permanent fund.	446,258 1
From tax or scal-skins.	295,530 4
From immigrant fund. From deposits for surveying public lands	95,818 6
From sale of condemned naval vessels.	22,582 7
From revenues of the District of Columbia From miscellaneous sources.	
	6997 050 059 S

Total ordinary receipts \$387,050.050 The ordinary expenditures for the same period were: 44,435,270 85 seis, machinery and improvements at Early Farks.
For miscellaneous expenditores, including public buildings, lightheouses, and col-lecting the race use. For expenditures on account of the Dis-trict of Columbia.
For interest on the public debt. 21 378,809 31 47,951,637 57

5,248,669 92

..\$181,000,015 00 Of which there was used in the redemption of rotes and fractional currency, and purchase of bonds for the sinking fund, the sum of. £105,053,448 24

\$57,470,129 59 In his last annual report to Congress my predecessor in office estimated that the revenues of the Govern ment for the fiscal year to end June 30, 1889, would exceed ordinary expenditures, not including the sink-ing fund, by \$104,000,000. The accuracy of his fore-

Source.	Increase.	Decrease.
Internal revenue	86,584,641.94	
Customs	4,741,568 06	
Profits on coinage, assays, etc.	777,630 31	
	214,797.75	
Consular fees		
Soldiers' Home, permanent	170 007 08	DELIC TROOPS
fund	159,237 96	**********
Sinking-fund for Pacific rail-	*** *** **	
Ways	150,793.10	
Customs emolument fees	78,558 48	CO. SEASON ASSESSED.
Sales of public lands	********	#3, 163, 365, 44
Sales of Indian lands		433,820 24
Registers' and receivers' fees.		248,543 99
Tax on National banks		212,479 69
Revenues of the District of		
		126,399 6
Columbia	35.0135.952125	3.40,000
Sale of condemned naval ves-		83.083 13
sels	THE PERSON NAMED IN	83,083 L
Repayment of interest by Pa-		
elfic railways	**********	77,932 2
Sales of Government prop-		The state of the s
erty	The State Contract of the	70,346 8
Deposits for surveying pub-		
lie lands		66.072 1
Immigrapt fund		54,993 0
Costoms fines, penalties and		0.0000000000000000000000000000000000000
		50,992.7
forfeitures		21,689 1
Fees on letters-patent	31111111111	11,998 1
Custom-House fees	***********	11,3000 1
Miscellaneous items		301,573 1
Total	#12.707.227 60	64.923.248 5

There was an increase in the ordinary expenditures

Te26.056, 180 11 e3.713.523 18

For the present fiscal year the revenues, actual

1.957.706.51 5.042.293.49 7.000,000 1.473.940.83 7.026,059.17 8.500,000 661,392 98 835,607 02 1,500,000 979 990 46 9 196 079 54 3 000 000 645,876 19 1,354,123 81 2,000,000 rallways.
Costoms fees,
fines, penalties, 707,676 61 1,000 000 Sales of Govern 40,070 41 209,929 59 250,000 33,411 13 216,588 87 Miscellaneous ...

Total ordinary receipts. \$100,003,328 68 \$284,906,671 32 \$385,000,00 The expenditures for the same period, actual and

Patimated, are	s as lollows:		
Object.	Quarter ended September 30, 1889, Actual.	Remaining three-fourths of the year. Estimated.	Total.
Civil and misce laneous, includ- ing public build- ings, light, hous and collecting	1- 1- 1-		
	\$19,593,943.32	\$50,406,056.68	\$70,000,000
Indians	2,024,876 03	4,975,123 97 68,512,372 63	7,000,000
Pensions. Military establish	20,431,021 01	00,015,01-00	104,000,000
ment, including			
fortifications,ri			
er and harbor in			14
provements, at	14,762,04751	33,237,952 49	48,000,000
Naval establish	h-	MOTHUR PARKS AND	
ment, includir vessels and m chinery, and in provenents	ik-		
Expenditures for	or	17,523,324 08	23,000,000
District of C		0.150.050.00	5,000,000
Interest on	the	3,150,273 00	3,000,000
public debt	10,293,457 17	25,706,542 83	36,000,000
Total ordina expenditure		\$203,511,645 68 :	293,000,000

Total receipts, actual and estimated. \$285,000,000 0 Total expenditures, actual and estimated. 293,000,000 0 Estimated surplus, applicable to the pur-chase of bonds. Estimated amount required for the sinking-fund. 48.321.116.99

Leaving a net surplus for the year of .. \$43,678,883 01 FISCAL YEAR 1891. es of the Government for the fi

ending June 30, 1891, are thus estimat	ed upon the
basis of existing laws:	
From customs	220,000,000 00
From internal revenue	185,000,000 00
From sales of public lands	7,000,000.00
From profits on coinage, assays, etc	8,500,000.00
From less consular, letters-patent and land From interest and sinking-fund, Pacific	3,000,000 00
THE WAYS.	2,000,000.00
From tax on national banks	1,500,000.00
From customs fees times penalties, etc	1,009,000 00
From sales of Government property	250,000 00
From deposits for surveying public lands	250,000 00
From revenues of the District of Columbia	2,500,000.00

From miscellaneous sources..... Total estimated receipts ... The estimates of expenditures for the same period, as submitted by the several Executive Departments and offices, are as follows:

and offices, are as follows

Legislative establishment

Executive establishment

Executive proper

State Department

Teasury Department

S 790, 274 55

War Department

150, 150 60

Navy Department

150, 150 60

Note of the proper

Postoffice Department

208, 770 60

Postoffice Department

208, 770 60

Department of Labor

153, 410 60

Department of Justice

190,650 60 18,901,778 55 454,750 00 1,807,285 00 25,403,148 70 24,290,495 77 5,804,309 77 98,587,252 00 under existing laws, to \$135,000,000 for the current blie Works-

Postal service

8,900,000 00 5,250,114 27

Permanent annual appropriations— Interest on the public debt.\$31,500,000 00 Refunding—customs, inter-nal revenue, lance, etc., 10,303,680 00 Collecting revenue from 5,700,000 00 Total estimated expenditures, excluding sinking-fund e282,271,404 70 92,728,395 30

Leaving a net surplus for the year of ... \$43,569,522 30 Leaving a net surplus for the fiscal year 1880, together fith 85.940 received for four per cent houds issued or interest accrued on refunding certificates converted inring the year, and \$33,503,357,76 taken from the cash kalance in the Treasury at the beginning of the year, making altogether \$90,979.427,35, was applied to the purchase and redemption of the debt, as follows:

at 3½ per cent.
Loan of 1893, continued at 3½ per cent.
Five-twenties of 1802
Consols of 1805
Consols of 1805
Consols of 1865
Ten-forties of 1865
Ten-forties of 1865 Funded loan of 1881. Funded loan of 1881, continued at 3th per 5,520,686 86 3,254,535 49

690,979,427 35 As compared with \$103.220.464 71 at the close of the fiscal year 15-8, the cash balance in the Treasury, over and above all accrued liabilities at the close of 1889, was \$71.484.042 39. If to this balance there added the estimated surplus for the current fiscal year, the amount that may be applied to the purchase of bonds to June 30, 1890, will be \$103.484.042 39. Bonds and other obligations of the United States have already been purchased and redeemed to the extent of \$50.445.485 49, leaving the available cash on hand November 1, 1889, \$45.435.762 40.

1890 was \$76,312,400, and the estimates for same purpose, herewith submitted, for the year 1891 are \$98,387,252, showing an apparent lucrease of \$22,274,852. These figures, however, do not even approximately represent the actual lucrease of expenditure for pensions, because the estimate for the year 1880 was wholly inadequate to meet the demands of the service. The amount regularly appropriated for pensions for that year was \$81,758,760. To this was added a deficiency appropriation by last Congress of \$8,000,000, and about \$8,000,000 more were necessartly drawn from the appropriations for the current year, to pay pensions due in the fiscal year 1880, but for which sufficient appropriations for the current year, to pay pensions for the fiscal year ended June 20, 1889, was \$95,624,779 11.

The amount appropriated for pensions for the current year was the same as last year (\$84,000,000 for this year, making a total of \$105,758,700; deducting from this the \$8,000,000 drawn out, as above stated, to meet the deficiency for last year, will leave chargeable to the current year \$97,758,700. The amounts actual and estimated for pensions will therefore stand as follows:

Expended for the year ended June 30, 1889, \$95,624,779 11

Expended for the year ended June 30, 1889, 495,624,779 11
Appropriated and estimated for year ender 187,758,700 00
Ing. Jun. 30, 1890.
Estimated for year ending June 30, 1891 98,587,252 00 A comparison of the expenditures of 1870 with those of 1889, will show that during the last ten years the increase of pensions has not differed very widely from the decrease on interest on the public debt:

No patriotic American has ever complained of the ast amounts of interest paid to the men who loaned seir money to preserve the Interacty of the nation; uch less will they complain of any just and proper cognition of the claims of men who, in the nation's air of extreme peril, sacrificed their lives and health sacre it.

Under the requirements of the act of February 25. 1862 (Revised Statutes, secs. 3,688, 3,689), establishing a sinking fund for the gradual extinguishment of the public debt estimated for the current fiscal year at public debt estimated for the current fiscal year at \$48.321.116 99, there have been redeemed during the months of July. August, September and October fractional currency, Treasury notes, and bonds of the United States which had ceased to bear interest, amounting to \$11.310, in addition to the purchase of \$12.136.750 of the funded loan of 1891 and \$27.695, coo of the funded loan of 1891 and \$27.695, coo of the funded loan of 1997, at a cost to the fund for premium of \$7.336,058 37 on the former and \$710, coo of the fiscal year 1890 have thus been practically provided for.

As shown by the foregoing statements the total revenues of the United States for the year ended June 30, 1889, amounted to \$337.059,058 84.

\$7,862,797,10. d amount received from customs, the last was \$223.832.741,60, showing an increase our 1885 of \$4,741,568,06, and being the

source.
The total net receipts from internal revenue for the fiscal year 1seb, as shown by the books of the Treasury, were \$130.881.513 f2, being an increase over the year 1888 of \$6,584.641 94.
There was a decrease of \$5,163,365 44 from the sales of public lands, and of \$575,860 48 from miscel-

Inneous sturces.

The total receipts for the last fiscal year have been exceeded but six times in the history of the Government. The ordinary expenditures of the fiscal year ended June 30, 1889, exclusive of premiums on bonds, were also greater than in any other year, except during the war period, and the years which bore its cost most heavily, being \$22,342,656,63 greater than for the fiscal year 1888. The expenditures for the last quarter of the fiscal year 1889 were \$9,790,696,74 less than for the last quarter of the fiscal year 1889. PURCHASE OF BONDS.

During the twelve months ended October 31, 1889, there were purchased under the circular of April 17 1888, United States bonds to the amount of \$99,233,950. Of these, \$52,279,400 were obtained prior to March 4.

Notwithstanding the diminished supply of bonds for Notwithstanding the diminished supply of bonds for sale in the markets the Government has been able to obtain at constantly decreasing prices a sufficient amount of bonds to meet the requirements of the sinking fund for the current fiscal year and carry out the provisions of law respecting the investment of the surplus revenue. While it was necessary to pay 108 for 4.1-2 per cent bonds of 1891 purchased March 5, 1886, with a net premium of 7.97, they were offered and accented October 31 at 103.3-4, the net premium being 4.104, a decrease in actual premium of nearly 3 per cent. During the same period, or from April 6 to 0ctober 31, 1889, the piece of 4 per cent bonds was reduced trem 129 to 127, and the net premium from 28.93 to 26.66, a reduction in actual premium of over 2.1-4 per cent.

SURPLUS REVENUE.

appears, from the foregoing estimates, that after due provision shall have been made for meeting the due provision shall have been made for meeting the ordinary expenses of the Government, including the requirements of the shaking-fund, there will remain, under the operation of existing laws, an annual surplus of revenue of about \$44,000,000.

An accumulation of money in the Treasury beyond the necessities of the Government endangers legitimate business, tends to excessive and wasteful public expendibure, and to encourage extravagance in private affairs.

in the presence of such conditions, it is a manifest duty to wisely guard against a future needless accumulation with its frutful train of evils.

MEANS OF REDUCTION.

If a portion of the surplus revenue can be used to enlarge our foreign markets, and thereby advance our commercial and productive interests, it is the part of wisdom to so apply it. The strengthening of ent for the fiscal year
s estimated upon the
\$229,000,000 00
135,000,000 00
135,000,000 00
2,000,000 00
3,000,000 00
3,000,000 00
3,000,000 00
3,000,000 00
2,500,000 00
3,000,000 00
4,500,000 00
5, etc. 1,000,000 00
6, our coast defences, and the building up of our Navy

world.

It is manifestly wrong to take money from the people for the cancellation of bonds, to the saving of only about 2 per cent of interest, when it is worth to them perhaps three times as much in their business. It is rather through a reduction of customs receipts and internal taxes that an unnecessary comunication of mency in the Treasury should be avoided.

There was received during the fiscal year, from all sources of internal revenue, the sum of \$130.894.
434 20. This, it is estimated, would be increased

fiscal year.

The tax collected on tobarco was as follows: From cica's cig-rettes, and cheroots. \$12,677,087.60
From saud. 643,039.57
From manufactures of tebacco. 17,076,857.61
From spec at taxe. 1,466,560.42 Total

......#31,866,837 53 Whatever may be said of the moral and physical effects and influence of tobacco, it has come to be regarded as a necessity by the poor as well as the rich. It is now the only product of agriculture that is directly taxed by the Government.

It is estimated upon careful inquiry that about 6,000,000 gailons of alcohol are annually used in this country in a vast number of chemical and medicinal irreparations of common and needful use, as well as in many of the important mechanical and industrial aris, from which a tax of \$5,300,000 is collected. Its use for these purposes would doubtless be largely increased were it not for this tax, which is equivalent to about 250 per cent of its value. This is a direct and onerous burden upon our industrial interests and upon the consumers of the articles produced, for which there now seems to be no necessity or excuse.

As alcohol may be exported without the payment of this tax, a direct and ruinous discrimination is made in favor of foreign manufacturers, to the serious detriment of our own industries.

in favor of foreign manufacturers, to the serious detriment of our own industries.

The proposition to remove this tax, it would seem,
should command fiself to the advocates of free raw
material for use in domestic manufactures. It certainly should meet with favor from those who demand
the free admission of wood, on which there were collected in the last fiscal year the sum of \$5.982.211.76,
and the production of which has been stimulated to
the notable benefit of our agricultural interests, by a
rate of duty about 200 per cent less than the fax on
alcohol. The proposition to exempt alcohol for use in the

arts has met with the objection that it would increase the difficulty of collecting the taxes on other distilled spirits, but the senate amendment to House bill p.051, of the last Congress, seems to provide the necesla case the tax should be removed, both from tobacco and alcohol used in the arts, the reduction thus effected would be about \$37,500,000, leaving a balance from internal revenue of about \$97,500,000.

CUSTOMS REVENUE. Reduction in receipts from customs presents the only other advisable means for diminishing the reve-

aue. This can be accomplished: First, By reduction in rates of duty upon those articles which, by reason of inconsiderate legislation, or changes which have occurred in the development of our industries, are found to be excessive second, By increase of rates upon articles which have not been successfully produced here, because not adquately protected, the obvious effect of which increase would be to stimulate domestic production and diminish importations and revenue. It is plain that such articles should either be fairly protected or placed upon the free-list.

Third, By transferring to the free-list articles which, from climatic or other causes, are not and cannot be successfully produced here, also, articles which, under existing conditions, we cannot economically produce in sufficient quantities to meet the needs of our people, or to serve the purpose of competition with foreign productions, and articles the production of which is of inconsiderable importance.

HORIZONTAL REDUCTION.

The cases are exceptional under our tariff in which a moderate or reasonable reduction of rates would result in a decrease of the revenue. As a general a moderate or reasonable fedication of rates are sult in a decrease of the revenue. As a general rule, a reduction in the rates of duty would increase importations in greater proportion than the rates are reduced, and so increase rather than diminish receipts. This would be the result of any plan of horizontal reduction yet proposed; thus, a horizontal reduction of 10 or 20 per cent in rates might result in 20 or 50 per cent or even greater increase in the volume of imports. The tendency of this would be to largely increase the surplus, and, to the extent of the increased importations, to deprive American workmen of the employment which belongs to them, and correspondingly to reduce the price of labor. The disastrous effects of such a policy upon the country would be threefold:

First—It would diminish the demand for American labor and capital by the amount of labor and capital expended in foreign countries upon the production of such increased importations.

Second—It would withdraw from active circulation here the money required to pay the duties on these increased importations, and thus add to the evils of our present sarplus.

Third—It would largely increase the adverse balance.

A tariff for revenue only contemplates such an adjust-nent of duty as will yield the largest amount of revenue

at the lowest rates. It means the largest possible quantity of importations consistent with the amount of enstoms revenue required to defray the expenses of the Government.

If, under a protective tariff, \$300,000,000 of importations would pay an annual revenue of \$100,000,000,000, to produce the same amount at half the rates, under a tariff for revenue only, would require \$000,000,000 of importations. The result of this policy, in the case supposed, would be to take from American producers their home market for \$300,000,000 of products and transfer it to their foreign competitors. While it would thus deprive our workmen of employment, it would also deplete the country of gold to pay for foreign labor and material, which should be supplied at home.

PRACTICES OF TRADE AFFECTING TARIFF.

A tariff based upon the difference in the cost of labor sion in competing countries. Foreign manufacturers

REVISION OF THE TARIFF. Whatever differences of opinion there may be with regard to the best method of disposing of the surplus revenue, and preventing the accumulation of money In the Treasury beyond the proper needs of the Government, and however diverse may be opinions as to the abstract question of taxation for revenue purposes, customs and internal, there is general agreement that a revision of the tariff and customs laws

nent that a revision of the tariff and customs have surgently needed.

I betwee it to be the dominant sentiment of the country that, in the adjustment of duties in imports, protection to home industry should be governing consideration. While there is a wide ivergence of judgment on this proposition, it cannot fell be denied that it is the activel policy of this invernment that such duties shall be so levied as o result in the protection of labor, employed in omessic industries, from destructive foreign com-

perition.

One of the fundamental objects in the levying of duties on haports, declared in the preamble of the first tariff act passed by Congress in 17-59, was the encouragement and protection of manufactures. The doctrine thus proclaimed has broadened with our alwancing civilization and growth, and its wisdom habeen demonstrated by the marvellous development of those inclustries, protected by the high duties, demanded by the necessities of the Government incident to civil was

manded by the necessities of the Government incident to civil war.

It should, however, be remembered that the prime object in the imposition of these high duties was the raising of revenue, and rates were adjusted to that end, rather than to the protection and development of domestic industries. It came about, therefore, that the measure of protection was capricious and unequal, and some industries were greatly prospered, while others, equally favored by natural resources and conditions, either languished or failed of development.

The tariff act of 1883 was hastily considered and passed. While intended as a protective measure, it was based on former tariffs, and perpetuated many of was based on former tarifs, and perpetuated many of the inequalities and other defects with which those acts abounted, and which have not only been directly hurful to certain domestic interests, but have afforded opportunities for evasion, and provoked con-stant dispute and litigation.

Certain of these inequalities and defects in the present law arise also from the changed conditions of trade and manufacture since its enactment.

Uniformity of assessment at the several ports, and often as between importers of like merchandise at the same ports, has not been secured. Doubts as to same ports, has not been secured. Doubts as to the meaning of many of the separate provisions of the meaning of many of the separate provisions of the tariff schedules have led to constant appeals to the secretary of the Treasury, which are often stimulated by speculative importers and customs attorneys, who seek to profit by the payment of the higher rates of duty, upon the basts of which the merchandles is sold to the consumer, and the chance of obtaining a refund through the action of the Treasury Department or the courts. Thus domestic producers and importing merchants are desprived of a stable basis for their business calculations, and trade and commerce, as affected by the tariff, is thereby disturbed and unsettled. There were 25.349 appeals by importers from the decisions of collectors of customs, chiefly from the Port of New York, during the last fiscal year, and there are now pending in the United States Chreut Court for the Southern District of New York 4.497 suits, which reliate to more than two hundred and fifty different attlets concerning which the classification is disputed. Of these suits 1,735 were brought during the last fiscal year, and in that time only 653 were disposed of, showing an increase in the number in the fiscal year of 1,052. It will be seen that under this state of things there is no prospect that the courts will be able to dispose of this accumulated Higation, in which the amount is estimated at not less than \$25,000,000.

As a result of this increasing practice of making protest and appeal, in all cases where the meaning of the statutes is in any sense obscure, the public has come to look rather to the Secretary is constantly importuned to make rulings equivalent to tariff legislation.

All this is subversive of commercial and official morality, is destructive of legitimate teade, and appeals to the judgment of all fair-minded men for correction. the meaning of many of the separate provisions of

CONFLICTING PROVISIONS AND AMBIGUITIES. The system of appointing merchants to act as mem-

The repeal of this tax would reduce the surplus about \$32,000,000.

ALCOHOL FOR USE IN THE ARTS.

The subject of exempting from taxation alcohol for use in the arts merits and has received much attention, it is estimated upon careful inquiry that about \$6,000,000 gallons of alcohol are annually used in this country in a vast number of chemical and industrial interparations of common and needful use, as well as in many of the important mechanical and industrial sits, from which a tax of \$8,000,000 is collected listing for these purposes would doubtless be largely in good in the consumers of the entire and one continuing of the lead is the component of chief value, the gold or silver is subjected about 250 per cent of its value. This is a direct and one continuing of the lead is the component of chief value, the gold or silver is subjected to do duty at the rate provided for lead. Thus the purpose of the inequalities of the existing law so thurtful to domestic industries.

The law which imposes a duty of 11-2 cents per of silver and also exempts from duty ores of silver and gold, illustrates these conflicting provisions. Gold and silver are often combined with silver or gold ore if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold or if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold ore if the value of ether commercially silver or gold or if the value of ether commercially silver or gold or if the value of ether commercially silver or gold or if the value of ether commercially silver or gold or if the value of ether commercially silver or gold or if the value of ether commercially silver or gold or if the value of ether commercially silver or go DUTY DEPENDENT UPON USE.

of duty is made dependent upon the use to which the article to be applied. Whether, for example, 50 per article to be applied. Whether, for example, 50 per cent, 20 per cent, or 10 per cent shall be collected, or whether the article shall be admitted free of duty, is made to depend upon the individual opinion of the customs officer, or upon the statement of the importer. This has led to inharmonious action at different ports, and has caused disputes and brigation. Conspicuous examples of this character are found in the provisions relating to hat manorials, to animals imported for breeding purposes; fresh fish, for immediate consumption; soap stocks, paying tiles, various materials used for the manufacture of fertilizers; acids used for medicinal, chemical, or manufacturing purposes; articles used for dyeing or taining; glass places or disks for use in manufacture of optical instruments; various vegetable substances used for beds and mat treases; vases, retorts, and apparatus for chemical uses.

SPECIAL EXEMPTIONS.

I feel constrained to invite attention also to nume ous provisions which exempt from duty merchandise otherwise dutiable, when imported by certain persons, otherwise dutiable, when imported by certain persons, societies or associations. Notable instances are found in the exemption of the personal effects and tools of trade of persons coming from abroad, and of household effects, without limit as to quantity or value; also, so-called works of art and various other manufactured articles, such discriminations are harmful, not only to the importing trade, but to established demestic interests. They are in many cases without justification upon any reasonable theory, and have led to serious abuses.

Furthermore, in the construction of a tariff law in s broader sense, reference should be had not only to the changed conditions of our domestic commerce and manufactures since the enactment of previous tariffs, but also to the cultivation and extension of our trade relations with those countries whose geographical sinu-tion and resources are such as to make intimate com-mercial intercourse with them particularly desirable.

UNDERVALUATIONS-SYSTEMS OF DUTY.

In order that Congress might have the telligent opinion of expert officers charged with the enforcement of the tariff laws at the printhe enforcement of the tariff laws at the principal ports, I caused to be submitted to them, for examination and enticism, three important tariff bills which were considered by the last Congress, viz.; House bills 8,383 and 9,051, and the Senate substitute for the latter. The reports of these officers are contained in the appendix to this report, and are commended to the attention of Congress. Particular attention is invited to the statements therein, showing the alarming prevalence of undervaluations. As a remedy for this will the substitution of specific for ad valorem duties, wherever feasible under our tariff system, is generally advocated. In this I concur, and this view is sustained not only by the fast that the commercial countries of Europe have discarded the ad valorem and adopted the specific system, but also by the opinions of a long line of my predecessors. Under high ad valorem rates pure and simple, or the more objectionable system of specific rates based on value, not only do discriminations occur between individual importers at the same port, always in favor of the unscruppious, but different amounts of daty are collected at different ports upon merchandise of the same value. The inevitable result, as experience shows, is, that the honest trader is driven out of business, and domestic producers are instituously deprived of the protection which the law intends to give them, and upon the fath of which their business ventures are based.

of the protection which the law intends to give them, and upon the fath of which their business ventures are based.

The opportunity for undervaluing afforded by this system has been generally taken advantage of, chiefly by shippers on foreign account. The tendency of this has been to concentrate the importing tracie in goods subject to the higher ad valorem rates at one great port, thus depriving other ports of the business of importing merchandise of the class which they sell or distribute. This was foreitly stated by Mr. Fairchild, then Acting secretary of the Treasury, in a communication dated June 14, 1886, to the chairman of the Committee on Ways and Means of the House of Representatives, as follows:

"During the last year the proportion of the importations for the whole country which are free of duty, or which pay purely specific rates, the latter including such articles of common use as salt, soda, tin-plates and class, entered at New-York, ranged variously from 34 to 63 per cent. While of articles subject to high ad valorem rates, such as silks, embroideries, laces, leather, gloves, linens, cutlery, ornamental feathers, buttons, trimmings, hals, bonnets, etc., the proportion of such goods into the United States. About the perfect of the subject of the last varies of such goods into the United States. About the per cent of all the silks imported into the country during the last year were entered at New-York, and the average of such importations of that port for the last six years has been above 90 per cent. Fully 90 per cent of these importations at that port for the last six years has been above 90 per cent. Fully 90 per cent of these importations at that port for the last six years has been above 90 per cent. Fully 90 per cent of these importations at that port for the last six years has been above 90 per cent. Fully 90 per cent of these importations at that port for the last six years has been above 90 per cent.

ADJUSTMENT OF TARIFF TO CHANGED CON-

and trade change, particular provisions of a tariff law may become inapplicable, and even harmful, law may become inapplicable, and even harding. While legislative interference should not be so frequent as to unnecessarily disturb the commercial and moustful interests of the country, it is suggested that reports at stated periods, by experiodicers specially designated for that purpose, upon the operations of the tariff laws, and indicating needed changes, would prove valuable.

CUSTOMS ADMINISTRATION.

The difficulties so embarrassing to the customs officers and the Department, growing out of the infirmities of the tariff schedules, are intensified by the inalequacy and faulty character of the laws relating to custions administration, which also needlessly and seriously amony and hamper our clitzens energy in the foreign commerce, and in many ways operate to neutralize or nullify the purposes of the tariff. These laws are derived from 263 acts of congress passed during a period of ninety years. The act of 1709, the nucleus of the customs system, was at the time of the enactment and has since been found to be, as has been well stated, a marved of clearness, concioness and accuracy. It was adminiately adapted to the conditions of the period of its passage and these do not materially change within the succeeding hat century. But since then the course of commerce, the mazes of trade, and the conditions of commercial transactions generally, have so changed, and the volume of business has so extanded that many of its pravisions are illustrated to the present time. The bistoduction of steam-anyligation, its conduct by great companies with large fleets and regular service, communication by occur cables, and other changes in the commercial world wrought by these and other agencies, readry destrains a revision of the statutes povening customs administration so as to adapt them to evisting needs.

It is true that the statutes relaing to this subject were included in Title XXXIV of the Revised Statelas of 1573, but this was rather a conflictation than a revision, as the commissioners of that revision were clearred from materially changing the phraseology of the laws, or infludening new matter. By the segregation under one title of sections derived from so many distinct laws, the revisers were unavoidably led into many errors respecting the telative arrangement of these sections, so that he imperfect character of the existing statics is in some cases magnified by this dislocation of their parts. Since the enactment of the Revised Statiness, mimerous amendments and much fficers and the Department, growing out of the affirmities of the tariff schedules, are intensified by

INVOICES-CONSULAR AUTHENTICATION. There is urgent need for radical reform in the

There is urgent need for radical reform in the essiem of appraisements. I nder the present law it is practically impossible to secure uniform and just valuations. The provisions relating to the form of invoices and their consular authentication should be amended so as to give appraising officers in all cases more definite information of the actual transaction which the invoice is claimed to represent than is at present required. The invoice should contain an accurate description of the goods: it should be made out in the currency of the country of export, or the currency actually padd; and where goods are obtained otherwise than by purchase, the declaration should state that the invoice represents the actual market value of the merchandise in the principal markets of the country whence exported, instead of the time and place when and where procured or manufactured, as now required by the statute; so that the declaration may conform to the legal basis of appraisement.

Penalties for undervaluation should be made applicable to informal or pro forma invoices, as well as to those authenticated by consular officers.

COVERINGS, PACKING CHARGES, ETC.

COVERINGS, PACKING CHARGES, ETC. It is necessary, in order to enable appraising offi-

cers to make uniform and satisfactory appraisements, that they be relieved from the embarrassments imposed upon them by the law which exempts the cover posed upon them by the law which exempts the coverings, charges, etc., from duty, and which has been productive of constant trouble, fraud and liftigation. In very many cases merchandise has no market value apart from its coverings and incidental pa-king, and the arbitrary rule that a part of this value shall be deducted in the assessment of duty is illogical, and, in fact, requires the appraising officers to do an impossible thing—to work an incongruity. REAPPRAISEMENTS.

It is therefore urged that in revising the tariff schedules cars be taken to avoid conflicting provisions and ambiguities, which have been productive of the evils mentioned; also, that rates be so adjusted.

The law under which rebate of duties is allowed on imported merchandise for damage on the voyage of importation, was passed in 1709, when water transportation was confined to salling-vessels. Owing to portation was confined to salling-vessels. Owing to long voyages and incidental exposure to weather and water, merchandise was liable to damage and deterioration, from which the owner could not then, as now, protect himself by marine insurance.

Within recent years almost all merchandise subject to damage is transported in steamers making quick transit, and there is but litrie liability to actual damage; so that the causes which led to the enactment of the original law have largely disappeared. The law has now become a conveniont means for the perpetration of frauds of the most scandalous character, is demoralizing to custems officials, and operates so uniformly and largely to the advantage of the unscrupulous, that its repeal is generally demanded by honest merchants throughout the country.

The manifest purpose of the law enacted in 1861, which authorizes the payment of a drawback on the exportation of articles manufactured from imported ma-terial on which duties have been paid, was to foster heme manufactures. In practice, however, it has been found in some cases to operate to the disadvantage of found in some cases to operate to the disadvantage of domestic production. It often occurs that the materials, thus refleved from dury, are such as are the completed products of our own factories.

Was not the law intended to cover crude materials only? Congress should define more clearly the character of the materials to be exempted, as well as the extent to which such materials shall be advanced to constitute a manufacture. Applications are frequently made, and in many cases have been allowed, for drawbacks where the essential work of manufacture has been done abroad, and only an insignificant amount of labor expended upon the article here in order to change its form. This results practically in a discrimination in favor of foreign labor.

The administration of the drawback laws has been attended with much difficulty, and it has been found impossible to guard against the allowance of fraudulent claims. In many cases the chief beneficiary of these laws are foreign manufacturers and custom house brokers.

Allusion has already been made to the great number of protests and appeals, and also to the continued

Allusion has already been made to the great number of protests and appeals, and also to the continued accumulation of suits in customs cases, and to the impracticability of a satisfactory disposition of them with the legal machinery at present provided. The existing system of refunding duties, exacted in excess, results in intelerable delay and loss to those who have legitimate claims, and, as before shown, fosters raids on the Treasury. This system also works to the serious disadvantage of the Government in various ways, among which may be citied:

1. In the time which usually elapses between the original classification of the merchandise alleged by the importer to be filegal, the proofs upon which the action was taken by the classifying officers is often lost or has passed beyond control of the Government, by change of officers, death of witnesses, and the like.

2. When judgment goes against the Government it carries large amounts of interest and costs, to be paid in addition to the duties erroneously exacted.

3. The inducements to private gain in these cases are so great that the persons interested employ all possible means to success. They are aided by sagacious altorneys who generally make this business a specialty, and who are stimulated by large fees, usually one-half of the amount of the judgment obtained. In instalices, improper and unprofessional methods have been resorted to to control juries, and secure the active or passive aid of the very officers relied upon by the Government to austain its interests.

4. However earnest and vigilant the District Attorney may be, he is often overmatched by the opposing counsel and the means at their command for advancing their cases. Then, too, the interests of the Government obviously suffer from the frequent changes in the office of District-Attorney during the pendency of suits.

It is plain to be seen that suits thus inspired and managed are liable to result in a miscarriage of justice, and the means at their command for advancing their cases. Then, too, th

There is certainly imperative need for a remedy

for this condition of things. Some system should be devised whereby these questions could be finally settled as they arise, and, in as many cases as pos-sible, before the importer bas made sale of his goods. The establishment of a special tribunal for the ex-clusive disposition of appeals in customs cases, would not only relieve the Department and the courts, but would prove of incalculable benefit to honest mer-chants and manufacturers, as well as to the public at large.

chaste disposition of appears and the courts, but not only relieve the Department and the courts, but not only relieve the Department and the courts, but not only relieve the Department and the courts, but not only relieve the Department and the courts, but not only relieve the Department and the courts, but not only relieve the Department and the courts, but not only relieve the Department and the courts, but not only relieve the Department and the courts, but not of March 3, 1871, "and in addition thereto such sums as may be received from fines, penalties, and for feitures connected with the customs and from fees paid into the Treasury by customs, and from storage, cartage, drayage, labor, and services," which, on the date of drayage, labor, and services, "which, on the date of drayage, labor, and services," which, on the date of drayage, labor, and services," which, on the date of drayage, labor, and services, "which, on the date of drayage, labor, and services," which, on the date of drayage, labor, and services, which, on the date of drayage, labor, and services," which, on the date of drayage, labor, and services, which, on the date of drayage, labor, and services," which, on the date of drayage, labor, and services, which, on the date of drayage, labor, and services, which, on the date of drayage, labor, and services, which, on the date of March 3, 1871, "and in addition thereto such sums as may be received from fines, penalties, and from free parameter and the date of March 3, 1871, "and in addition thereto such sums as may be received from fines, penalties, and form for sums as may be received from fines, penalties, and from free parameter and the date of date of the customs and from free sums as may be received from fines, penalties, and from free and from free and for feitures are determined by the date of date of the date sonal inconvenience. A declaration, sanctioned by penalties, attested by any officer duly authorized to administer earls, would afford relief, and such change

administer oaths, would afford relief, and such change is recommended.

Officers and employes of the revenue service are required to verify their accounts for official services required to verify their accounts for official services under oath in the manner provided by sections 1,790 und 2,000; Revised Statures. It is held by the Attorney-General that the fee for this oath is not a torney-General that the fee for this oath is not a charge against the Government, but must be paid by the individual. There are more than 6,000 such the individual. There are more than 6,000 such temployes, who are compelled to pay this fee once each mouth or oftener. It is suggested that these each mouth or oftener. It is suggested that these statutes be repeated, and that their essential requirements be embedded in the oath taken on original appointment to office.

BONDS.

It is believed that the bond required on entry of merchandise for warehouse may safely be dispensed with. These bonds involve great inconvenience to with. These bonds involve great inconvenience to merchants and large expense, with no corresponding benefit. The Government is protected by actual possession of the morehandise, and may be further protected by the bond of the warehouseman, and such jurther legislation as may be necessary to secure payment of the duties.

The bond required by Section 2,800 of the Revised statutes, for the return of delivered packages, falls of full protection to the revenue. Its conditions should be so enfurred is to secure the payment of any balance of duty found due on liquidation, or other damages sustained by the Government.

In the organization of the customs service, in 1799, it was contemplated that its expense should be principally defrayed from fees, a schedule of which was then fixed. These collections long since proved inade

cipally defrayed from fees, a schedule of which was then fixed. These collections long since proved inadequate to the needs of the service, and the appropriations for its support have been made by Congress.

These fees are now an insignificant factor in considering the expense of collecting the revenue—the total amount collected during the fiscal year ending June 30, 1888, was only \$454,690.75.

They are gathered from various sources for various services, and in anounts ranging from 10 cents to several deliars, the major portion being in sums of 50 cents and less. These collections impose a labor on the customs officers, and constitute an annoyance to individuals in excess of any public benefit.

Fees for like services vary by statute in different sections of the country, and the public are often led to believe that they are petry exactions, resulting from the greed of the officer who demands them for his personal benefit. As matter of fact there is seldom any foundation for such belief. But in some cases, when the total fees collected fall to carry the collector's compensation to the maximum, it is the collector's compensation to the maximum, it is known that the collector has resorted to strained and unusual construction of the law and exacted dilegal and excessive fees to increase his income. These exceptional demands are made possible by the existence of the fee bill, and the persons on whom they are made are constrained to pay them, rather than risk delays and hostile acts that would work them greater loss. No satisfactory reason appears for the continuance of the system.

It does not comport with the dignity of the Government to exact a ten-cent fee for an official service, it has outgrown the necessity of sitting at the doors of its custom houses and collecting admission fees from those it compols to come there to do business.

In the interest of a better service a change is demanded in the matter of the compensation of collectors, who should be paid fixed salaries adjusted to the duties and responsibilities of their respective offices. Some of these officers are now paid fixed salaries in full of all services, others are compensated by salaries supplemented by certain fees, commissions and allowances. An additional allowance is made for storage in the sum of \$2,000, if so much be paid at the port. This allowance, under the decisions of the courts and of the accounting officers, is worked out in a way not readily comprehended, and opens the door to questionable, if not fraudulent methods. No equivalent service is rendered for it. The maximum compensation of collectors on the northern frontier, paid in this way, is \$4,500, while collectors on the scaboard and survevors at interior ports may thus receive \$5,000. But certain collectors on the northern, northeastern, and northwestern frontier have received an addition large sums from certain railroad companies from the sale of blanks, under the provision of section 2,648, Revised Statutes. In some instances the annual income vised statutes. In some instances the annual income vised statutes. In some instances the annual income vised statutes in some instances the annual income vised statutes. In some instances the annual income vised statutes in some instances the annual income of the collector from the sale of these blanks has \$2.00 the collectors to railroad companies rather of blacks by collectors to railroad compa duties and responsibilities of their respective offices.

cance of certain offices. It may be that thus far the cance of certain offices. It may be that con-flowernment has been fortunate in the selection of these officers, and no withstanding the financial obli-gations to the radicual companies, they have held an even hand between them and the Government. But it requires only a statement of the case to disclose a temptation and motive, in the case to two masters, to serve the one paying the most money. The condi-tions are victors and can be supported by no honess or administrative argument.

or administrative argument.

It is earnestly recommended that collectors be compensated by fixed salaries, and that they shall not, directly or indirectly, because of their office, receive any other pecuniary ice or compensation whatever.

CONSOLIDATION OF CUSTOMS DISTRICTS AND READJUSTMENT OF SALARIES. The consolidation of customs collection districts

The consolidation of customs collection districts absent the subject of frequent recommentation to Congress. Legislation in this regard is again recommended in the interest of an economical and chican service. In the early' organization of collection districts regard was had to the them existing conditions of our commerce and foreign trade confined to the sea-ports. The laws for their organization made them to comprise "all the waters and shorns," or 7 all the waters, shores, and rivers connected therewith. No interior lines were described, nor was it then found necessary to divide the entire country into collection districts. Foreign merchandise arrived by salling vessels and was entered at various sea-ports of first arrival. But the changed conditions wrough by stam carriage and other agencies have destroyed the commercial importance of many of the old-time sea-ports, and carried trade inland, building up great commercial centres removed from the former lines of water transportation. It has resulted that a considerable number of collection districts exist now only in name and in their demands on the Government for money to defrag the expense of needless equipment. In the interest of good administration they should be abolished, and their territory included in other districts, care being taken to provide for regulate preventive service and the convenience of the merchanit marine.

Comparatively recent legislation has authorized the carriage of foreign duitable merchandise inland for the payment of duty, and interior ports are rivaling those of the sea coast in the revenue they return to the Treasury. Some of these are ports of entry in collection districts that have well-defined boundaries, others are mere ports of delivery, with no jurisdiction beyond municipal limits. It results that while the entire country is open to trade, and dutable goods are transported to all parts of it, certain portions are not included in any well-defined customs district, should be abolished, and new ones etablished wherever deman been the subject of frequent recommendation to Congress. Legislation in this regard is again recommended

REVISION OF CUSTOMS LAWS Many of the reformatory changes in the customs laws above suggested have been embodied in one form

or another in bills introduced in the last Congress.

These were doubtless the result of careful investigation Inese were doubtless the result of careful investigation and consideration by the appropriate committees, and their general features are understood to have had the approval of my immediate predecessor. It is not improbable that these or similar measures will be again introduced, with better promise of enactment. Believing the changes thus proposed would greatly benefit customs administration. I urgently recommend them to the early and favorable consideration of Congress. While recommending this legislation, I earnestly

invite attention to the necessity for a complete codifi-cation and revision of the customs laws, to include such modifications and new provisions as practice and experience have demonstrated are required for the such modifications and new provisions as practice experience have demonstrated are required for the efficiency of the system.

Materials for such a codification and revision have been collected and partially formulated, under my direction, by competent officers of this Department. These materials are intended for, and will be at the disposal of, Congress.

CONVERENCES OF LOCAL APPRAISERS. Quarterly conferences of local appraisers, unde

special appropriation for that purpose, have been held regularly at New-York during the year.

The anticipated benefits of these conferences have

The anticipated benefits of these conferences have been realized in more uniform appraisements and classification at the several ports, and generally in more intelligent and satisfactory administration of this important branch of the customs service.

These officers, at their conferences, have also materially added the Department by their advice upon important questions of classification, which, from time to time, have been submitted to them for their opinion. It is recommended that the appropriation for these conferences be continued.

EXPENSES OF COLLECTING THE REVENUE FROM

Should the fund for the expenses of collecting the revenue from customs continue to be derived from permanent appropriation, with the addition of the conpermanent appropriation, with the addition of the contingent receipts from certain sources now available, it should be materially increased to meet the changed conditions, since it was last fixed by enactment.

Serious embarrassments have occurred several times through deficiency in this appropriation, which has proved insufficient to defray the necessary expenses of collection, the average annual cost of which exceeds \$7,000,000.

The fund at disposal is derived from the permanent annual appropriation of \$5,500,000 made by the act

sequence of legislation affecting fines, penalities, and forfeitures, and the abolition of many of the official fees.

Since 1871 the volume of customs business has largely increased. The entire system of transportation of goods without appraisoment at the ports of first arrival has been established, involving additional expense through the creation of new ports.

Three times during this period there has been a deficiency in the means available for the expense of collecting the customs, causing much embarrassment in the conduct of the service, and hardship to employes, who were obliged to wait for their pay until appropriations for deficiencies had been made.

There has also been a lack of means to increase the efficiency of the service, and to detect and prevent frauds upon the revenue.

The maintenance of this important branch of the Government should not be dependent upon contingent recipits, always fluctuating in amount and impossible of accurate estimate. It is suggested that all official receipts under the statute relative to the collection of duties, and amounting to about \$1,000,000 per annum, be covered into the Treasury as a part of the general receipts, and that the permanent annual appropriation for the expenses of collecting the revenue from customs be increased to \$7,500,000.

FOREIGN COMMERCE.

The total value of our imports and exports of merchandise and specie during the last fiscal year was \$1,613,137,633, an increase over the preceding year of \$87,473,843, and was greater than for any

year since 1861.

The value of the imports and exports of merchaudise and specie during the last three fiscal years has been as follows:

MERCHANDISE.

1880. Exports - \$703,022,923 \$683,862,104 \$730,282,500 to still 13,160,288 12,002,403 12,118,768

SPECIE. 1888. \$9,701,187 \$18,376,134 \$59,952,288 20,296,504 28,037,349 \$6,889,248 \$35,997,691 646,414,183 696,641,583

Total \$60,170,792 \$50,337,986 \$28,963,073
Excess of exports \$24,173,101 \$12,923,803
The exports of gold, exclusive of ores, during the last fiscal year were \$50,952,285, the largest since 1875; the imports were \$10,284,885. This excess of exports over imports of gold occurred mainly in May and June last, amounting during those months to \$30,000,000. This excess was largely due to the increase of foreign travel on the part of our people, and the consequent increased demand for foreign exchange.

EXPORTS. EXPORTS.

The total value of exports of domestic merchandise was \$700,282,600 for the fiscal year 1889, an increase of \$46,420,505 over the preceding year, and was greater than that of any year except 1880, 1881, 1882 and 1883.

The following articles of domestic merchandise exported have materially increased or decreased during

INCREASE. There was an increase in the value

There was an increase in the exports, as follows:
To the United Kingdom
To Germany
To France
To British North American Provin